

PACIFIC GAS AND ELECTRIC COMPANY

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R. W. SMITH
MANAGER
TAX

May 27, 1988

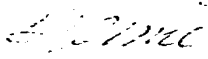
Mr. Larry McCarthy, Vice President
California Taxpayers' Association
921 - 11th Street, Suite 800
Sacramento, CA 95814

Dear Larry:

Enclosed is the suggested language for the amendment to R & T Code Section 98.9 (last year's AB 454). We also enclose a sample calculation, an explanation of the proposal and a list of the players and their organizations.

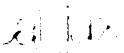
I deeply appreciate your attention to this project.

Sincerely,


B. E. NELSON
Director of Property Taxes

BEN:jdb

Enclosures


LARRY MCCARTHY
Vice President

CALIFORNIA TAXPAYERS' ASSOCIATION
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(PAGE 1 IS TRANSMIT
COVER)

Amend R & T section 98.9

(b)

- (2) A rate determined by, first, dividing the county's total ad valorem tax levies for unitary and operating non unitary property for the prior year debt service only by the county's total unitary and operating non unitary assessed value for the prior year, and, second, beginning with the 1989-90 fiscal year, adjusting the rate so determined by the percentage change between the two preceding fiscal years in the county's ad valorem debt service levy for the secured roll, not including unitary and operating non unitary debt service. *

* The reason the rate adjustment is delayed until the 2nd year (89-90) is that the UAONU DS for the 86-87 F.Y. is, for practical purposes, not determinable since UAONU values and taxes were not identified with respect to that roll.

County Levies
Utility AV

To change
in levies for
prior 2 years
secured debt service

EXAMPLE

UAONU = "Unitary and operating non unitary"
 DS = Debt Service
 AV = Assessed value

Assume:

'87-'88 Total County Secured Roll DS levy, including UAONU = \$400,000⁽¹⁾

'87-'88 UAONU DS 100,000⁽²⁾

'87-'88 UAONU AV 100,000,000⁽³⁾

'88-'89 UAONU AV 108,000,000

'88-'89 Secured roll DS levy: Alt. 1 360,000
 Alt. 2 240,000

- (1) This may require some analysis to determine
 (2) This would require some analysis to determine
 (3) Provided by State Board of Equalization.

For '88-'89:
$$\frac{\text{Total UAONU DS Levy '87-'88}}{\text{Total UAONU AV '87-'88}} = \frac{100,000}{100,000,000} = .1\%$$

For '89-'90:
$$\frac{\text{Total UAONU DS Levy '88-'89}}{\text{Total UAONU AV '88-'89}} = \frac{108,000}{108,000,000} = .1\%$$

 Step 1

Alt. 1:
$$\frac{\text{'88-'89 Sec Roll Debt Svce Levy}}{\text{'87-'88 Sec Roll Debt Svce Levy (excluding UAONU DS Levy)}} = \frac{360,000}{400,000 - 100,000} = 120\%$$

 Step 2

'89-'90 UAONU RATE = $.1\% \times 120\% = .12\%$

Alt. 2:
$$\frac{240,000}{300,000} = 80\%$$

 Step 2

'89-'90 UAONU RATE = $.1\% \times 80\% = .08\%$

.08

Existing property tax law requires each county to develop a single tax rate for debt service which will be applied to the unitary and operating non-unitary property assessed by the State Board of Equalization. That rate is developed by dividing the county's total ad valorem tax levies for the secured roll for the prior year debt service only, by the county's total ad valorem second roll assessed value for the prior year.

This bill would revise the method for determining the debt service rate by using unitary and operating non-unitary tax data instead of total county-wide data and beginning in the 1989-1990 fiscal year by including a method for adjusting the rate to reflect the change in the county-wide ad valorem debt service ratio.

California County Auditors and Controllers
Don Bouchet - Contra Costa (Legislative Chairman)
Paul Floyd - San Luis Obispo

Western States Association of Tax Representatives -
California Committee
Art Bennett, Chairman - A.T. & S.F.
Bernie Nelson, Legislative Chairman - PG&E
Tony Mullins, Legislative Committee - Pacific Bell
Norm Abrams, Legislative Committee -
Southern California Edison

California State Board of Equalization
Bob Gustafson, Chief of Operations -
Property Taxes Department

State Controller's Office
Don Bouchet is responsible for this contact.
I don't know the name.